

CITY OF SPENCER

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2012

CITY OF SPENCER

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CITY OF SPENCER

DIRECTORY OF CITY OFFICIALS AND RELATED ORGANIZATION TRUSTEES

AS OF JUNE 30, 2012

MAYOR

Reynold L. Peterson

MAYOR PRO-TEM

Rich Prentice

COUNCIL MEMBERS

George Kruger
Randy Swanson
Rich Prentice

Edward J. Krebs
Ron Hanson

Steve Bomgaars
David A. Scott

CITY MANAGER

Bob Fagen

CITY CLERK

Theresa Reardon

CITY ATTORNEY

Donald J. Hemphill

DIRECTOR OF PUBLIC WORKS

Mark White

CHIEF OF POLICE

Mark Lawson

FIRE CHIEF

Douglas Duncan

PLANNING DIRECTOR

Kirby Schmidt

CEMETERY SUPT.

Irwin Martin

PARK

DelRay Bredehoeft

STREET SUPERINTENDENT

Dwayne Sebbby

GOLF COURSE CLUB HOUSE MGR.

Vacant

GOLF COURSE SUPT.

Brian Mohr

LANDFILL

Chuck Duhn

SOLID WASTE SUPT.

Kent Herbold

LIBRARY DIRECTOR

Vacant

FINANCE DIRECTOR

Brian Weuve

COUNCIL STANDING COMMITTEES

PUBLIC SAFETY

Edward Krebs, Chairperson
Randy Swanson
George Kruger

PUBLIC WORKS

David Scott, Chairperson
Rich Prentice
Ron Hanson

FINANCE & PERSONNEL

Rich Prentice, Chairperson
Steve Bomgaars
Ron Hanson

PROGRESS & DEVELOPMENT

Randy Swanson, Chairperson
Steve Bomgaars
David Scott

BOARDS AND COMMISSIONS

MUNICIPAL UTILITIES TRUSTEES

Gary Tolzmann
Dave Hultgren
Sandi Schmidt
Alison Simpson
Murray Hart

GOLF COURSE BOARD

Larry Slota
Steve Fox
Lavonne Peterson
Roberta Meyer
Sam Harper

PLANNING & ZONING COMMISSION

Kari Roskens
Dean Jacobsen
Duane Willrett
Craig Wampler
Ed Nygaard
Kristen Sonder
Marjorie Eeten

COMPENSATION ADVISORY BOARD

Jeff Bohnenkamp
Mary Rahn
Ken Sandvig, Jr.
Susan Zulk
Diane Quist Zinn
Kari Roskens
Dave Woodcock

CIVIL SERVICE COMMISSION

Michaela Sailer-Matthiesen
Kevin Robinson
Connie Larson

COLLECTION RATE REVIEW BOARD

Clark Marshall
Marilee Betts
Bob Fagen

AIRPORT BOARD OF TRUSTEES

Bob Bates
Kyle Norris
Tim Steffen
Les Hicks
Bill Hemme

PARK BOARD

Kim Bates
Dick Montgomery
Jason Warren
John Zinn
Mark Boyd

MUNICIPAL HOSPITAL TRUSTEES

Gary VanHofwegen
Neal Conover
Kris Van Berkum
John Cotton
John Rahn

ZONING BOARD OF ADJUSTMENT

Terry Peterson
Suzanne Harper
Deb Feldman
Roger Green
Steve Waller
Mark Lykke
Don Baxter

LIBRARY TRUSTEES

Wayne Koppen
Rhonda Wemack
Bryan Harken
Karen Carey
Roger Littlefield
Cathy Greiner
Carol Hansen
Audrey Wheeler
Dennis DeWitt

PLUMBERS EXAMINERS BOARD

Joe Froiland
Rick Dean
Jarold Krogman

ELECTRICAL BOARD OF EXAMINERS

Dave Nelson
Steve McAllister
Steve Nolting

COMMUNICATION CENTER BOARD

Burlin Matthews
Ken Chalstrom
Randy Swanson
Rich Prentice
Mark Lawson
Randy Krukow

BOARDS AND COMMISSIONS - Continued

HISTORIC PRESERVATION COMMISSION

Sheriffa Jones
Harry Rasdal
Bruce Lamport
John Frans
Lynn Dotson
Karli Lillie
Jim Morony

RENAISSANCE INITIATIVE COMMITTEE

Randy Cauthron
Mary Jean Montgomery
John Goede
Tim Kehoe
Dick Schallau
Tom Nelson
Clinton Jones
Jill Barr
Jane Campbell

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Spencer
Spencer, IA 51301

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spencer, Iowa, (the City) as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements do not include financial data for the City's legally separate component unit, Spencer Municipal Hospital. U.S. generally accepted accounting principles require the financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. Because of this departure from U.S. generally accepted accounting principles, the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component unit would have been reported as \$100,059,269, \$16,594,613, \$83,464,656, \$68,058,404, and \$61,446,273, respectively.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the aggregate discretely presented component unit of the City of Spencer, Iowa as of June 30, 2012, or the changes in financial position thereof for the year then ended.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Spencer, Iowa as of June 30, 2012 and the respective changes in cash basis financial position for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2013 on our consideration of the City of Spencer, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Management's Discussion and Analysis on pages 6 through 11 and the other information included in Schedules 6 through 17 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Wintner, Starn & Co., LLP

January 14, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

This discussion and analysis of the City of Spencer's financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 Financial Highlights

- The City's total cash basis net assets decreased \$2,777,999 from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities decreased by \$6,293,981 and the assets of the business type activities increased by 3,515,982.

Overview of the Financial Statements

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Supplementary Information provides detailed information about the nonmajor funds and on the City's indebtedness.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and provides selected ten-year statistical information.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting The City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property taxes and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer, solid waste, landfill, golf course, and airport. These activities are financed primarily by user charges.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain receipts (such as Sales Tax Receipts). The City has the following types of funds:

- Governmental Funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as the Local Option Sales Tax, (c) the Debt Service Fund, (d) the Capital Projects Fund, (e) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements, and changes in cash balances.

- Proprietary Funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains five Enterprise Funds to provide separate information for the sanitary sewer, solid waste, landfill, golf course, and airport funds. The City also maintains an enterprise capital projects fund to account for the acquisition and construction of capital assets to be used by the enterprise funds. The sanitary sewer, solid waste, enterprise capital projects, and landfill funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Fiduciary Funds. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Government-Wide Financial Analysis

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$20,390,434 to \$14,096,453. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	For the Year Ended <u>June 30, 2012</u>	For the Year Ended <u>June 30, 2011</u>	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services	\$ 854,790	\$ 818,065	\$ 36,725
Operating grants and contributions	1,940,115	1,219,689	720,426
Capital grants and contributions	360,222	2,626,236	(2,266,014)
General receipts:			
Property and other city taxes	4,720,565	4,497,202	223,363
Tax increment financing	685,113	708,215	(23,102)
Payments in lieu of tax	503,736	470,583	33,153
Local option sales tax	1,807,696	1,790,855	16,841
Hotel/motel tax	199,085	144,581	54,504
Use of money and property	216,400	299,985	(83,585)
Unrestricted miscellaneous	452,448	534,482	(82,034)
Debt proceeds	<u>1,558,740</u>	<u>708,830</u>	<u>849,910</u>
Total receipts	<u>13,298,910</u>	<u>13,818,723</u>	<u>(519,813)</u>
Disbursements:			
Public safety	2,549,797	2,343,685	206,112
Public works	1,194,773	1,249,718	(54,945)
Culture and recreation	1,430,033	1,415,736	14,297
Community and economic development	1,964,859	2,384,116	(419,257)
General government	2,073,102	2,065,131	7,971
Debt service	3,193,101	2,106,313	1,086,788
Capital projects	<u>662,897</u>	<u>3,299,247</u>	<u>(2,636,350)</u>
Total disbursements	<u>13,068,562</u>	<u>14,863,946</u>	<u>(1,795,384)</u>
Change in cash basis net assets before transfers	230,348	(1,045,223)	1,275,571
Net transfers	<u>(6,524,329)</u>	<u>8,973,872</u>	<u>(15,498,201)</u>
Change in cash basis net assets	(6,293,981)	7,928,649	(14,222,630)
Cash basis net assets - beginning of year	<u>20,390,434</u>	<u>12,461,785</u>	<u>7,928,649</u>
Cash basis net assets - end of year	<u>\$14,096,453</u>	<u>\$20,390,434</u>	<u>\$ (6,293,981)</u>

The total business type activities cash balance increased from a year ago, increasing from \$8,213,064 to \$11,729,046. The analysis that follows focuses on the changes in cash basis net assets of business type activities.

Changes in Cash Basis Net Assets of Business Type Activities

	For the Year Ended <u>June 30, 2012</u>	For the Year Ended <u>June 30, 2011</u>	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services:			
Sanitary sewer	\$ 2,250,536	\$ 2,001,560	\$ 248,976
Solid waste	1,837,917	1,738,859	99,058
Landfill	1,374,998	1,270,393	104,605
Airport	135,897	147,521	(11,624)
Golf course	409,135	386,920	22,215
Operating grants and contributions	78,750	57,791	20,959
Capital grants and contributions	418,463	17,511	400,952
General receipts:			
Use of money and property	351,058	362,856	(11,798)
Unrestricted miscellaneous	117,901	117,559	342
Sale of capital assets	350,280	169,000	181,280
Debt proceeds	<u>2,360</u>	<u>8,203,295</u>	<u>(8,200,935)</u>
Total receipts	<u>7,327,295</u>	<u>14,473,265</u>	<u>(7,145,970)</u>
Disbursements (includes enterprise capital projects):			
Sanitary sewer	6,017,559	2,113,676	3,903,883
Solid waste	1,130,695	1,059,523	71,172
Landfill	2,299,491	594,515	1,704,976
Airport	477,171	174,869	302,302
Golf course	<u>410,726</u>	<u>369,711</u>	<u>41,015</u>
Total disbursements	<u>10,335,642</u>	<u>4,312,294</u>	<u>6,023,348</u>
Change in cash basis net assets before transfers	(3,008,347)	10,160,971	(13,169,318)
Net transfers	<u>6,524,329</u>	<u>(8,973,872)</u>	<u>15,498,201</u>
Change in cash basis net assets	3,515,982	1,187,099	2,328,883
Cash basis net assets - beginning of year	<u>8,213,064</u>	<u>7,025,965</u>	<u>1,187,099</u>
Cash basis net assets - end of year	<u>\$11,729,046</u>	<u>\$ 8,213,064</u>	<u>\$ 3,515,982</u>

Individual Major Governmental Fund Analysis

The City's governmental funds showed a combined cash basis fund balance of \$14,096,453 at June 30, 2012 which was \$6,293,981 less than last year. A summary of the changes is as follows:

	Cash Balances <u>June 30, 2012</u>	Cash Balances <u>June 30, 2011</u>	Increase (Decrease)
General	\$11,068,974	\$11,011,929	\$ 57,045
Local option sales tax	614,749	646,274	(31,525)
Debt service	635,990	452,182	183,808
Capital projects	681,551	7,196,242	(6,514,691)
Total nonmajor governmental funds	<u>1,095,189</u>	<u>1,083,807</u>	<u>11,382</u>
Total	<u>\$14,096,453</u>	<u>\$20,390,434</u>	<u>\$ (6,293,981)</u>

The capital projects fund showed a decrease in cash basis fund balance of \$6,514,691. This decrease was primarily due to transfers to the enterprise capital projects fund to pay for the combined sewer separation inceptor project. Proceeds from a state revolving fund to finance this project were received in the prior fiscal year.

Individual Major Business Type Fund Analysis

The City's business type funds showed a combined cash basis fund balance of \$11,729,046 at June 30, 2012 which was \$3,515,982 more than last year. A summary of the changes is as follows:

	Cash Balances June 30, 2012	Cash Balances June 30, 2011	Increase (Decrease)
Sanitary sewer	\$ 3,454,211	\$ 2,710,837	\$ 743,374
Solid waste	1,225,623	1,085,213	140,410
Landfill	3,713,662	4,015,551	(301,889)
Enterprise capital projects	2,940,408		2,940,408
Nonmajor proprietary funds	<u>395,142</u>	<u>401,463</u>	<u>(6,321)</u>
Total	<u>\$11,729,046</u>	<u>\$ 8,213,064</u>	<u>\$ 3,515,982</u>

The sanitary sewer fund showed an increase in cash basis fund balance of \$743,374. This increase was used to increase reserves for future improvements and to retire sanitary sewer debt. The enterprise capital projects showed an increase in cash basis fund balance of \$2,940,408. This is a new fund from last year and was funded by transfers from the governmental capital projects fund. The balance will primarily be spent to complete the combined sewer separation project.

Budgetary Highlights

The City amended the budget twice. The final amendment was adopted on May 21, 2012. These amendments were required to budget for additional local option sales tax receipts, additional contributions from Spencer Municipal Utilities, a general obligation bond issue, and related increases in community and economic development and debt service disbursements. Amendments were also required due to the creation of the enterprise capital projects fund and the related transfer from the governmental capital projects fund.

The City's receipts were \$4,838,488 less than budgeted receipts. The most significant variance resulted from anticipated intergovernmental receipts not being received.

The City's disbursements were \$13,180,609 less than budgeted primarily because several capital projects were not completed before year end.

Debt Administration

At June 30, 2012, the City had \$16,066,430 of debt outstanding, compared to \$17,496,070 last year as shown below:

	June 30, 2012	June 30, 2011
General obligation bonds and notes	\$ 6,657,430	\$ 7,966,430
Urban renewal tax increment revenue bond	<u>315,000</u>	<u>355,000</u>
Total subject to debt limitations	6,972,430	8,321,430
Other long-term debt	250,000	275,000
Revenue bonds and notes	<u>8,844,000</u>	<u>8,899,640</u>
Total all debt	<u>\$16,066,430</u>	<u>\$17,496,070</u>

During the year, the City issued \$2,360 of sewer revenue bonds for wastewater treatment plant improvements and \$1,565,000 general obligation bonds for a capital project (\$754,380) and to refund a bond issue (\$810,620).

Debt administration is quite conservative, with approximately 70% of all City debt repaid within the next ten years. This rapid repayment, when combined with the use of tax increment financing and local option sales tax revenue, has allowed the City to maintain our 1A rating. This rating is good and reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$32,725,597. With outstanding debt applicable to this limit of \$6,972,430, we are utilizing 21.31% of this limit.

Economic Factors

The City continues to monitor the economic factors impacting not only the local economy, but that of the state, region and nation. While the City did not see a huge impact from the recent downturn in the national economy, we did notice a loss in revenues in the Local Option Sales Tax fund. This decrease in revenues demonstrates a loss of retail sales in the community. However, since the end of Fiscal Year 2010, our receipts have rebounded nearly 31% and the amount of revenues received in Fiscal Year 2012 was the highest amount of revenues ever received by the City from the Local Option Sales Tax. Projections for Fiscal Year 2013 show continued improvement in Local Option Sales Tax receipts.

The City's property values continue to show a steady improvement and continued growth. While a portion of the growth in property values has been the slow, but steady rise in the state mandated residential rollback, the City has started to see increased demand in the housing sector for new homes. In calendar year 2011, the City issued 4 permits for new residential homes. For calendar year 2012, the City is on track to construct 25+ new homes. This increase in new housing starts is expected to continue for the next couple of years as the Stoneybrook and Deerfield Park 4th housing additions continue to grow. Part of this growth may be attributed to two new housing programs started by the City to assist new homeowners. The first program offers up to \$15,000 towards the purchase of a new home. The second program offers up to five-year tax abatement on the first \$75,000 of value on new home construction or on a remodeling project.

The City has also experienced growth in commercial properties as well. In 2012, the City attracted a new 200,000 sq. ft. Pioneer warehouse facility. In addition to new commercial properties, several existing businesses have also remodeled or expanded their operations.

One area of major concern to the City and its impact on future budgets is the action of the State Legislature in the realm of property tax reform. For the past several sessions, the governor and legislature have made attempts to pass property tax reform, specifically targeting commercial property tax rates. The current tax base composition of the City is approximately 50% residential and 50% commercial/industrial. Any action by the State to reduce commercial property taxes, without addressing how the City can remain revenue neutral, may cause difficulty in continuing to provide the level of services our residents have come to expect from the City of Spencer.

In the overall picture, the economic forecast for the City is positive. The local area is continuing to see a strong farm economy which in turn has positive impacts on the City's retail sales. The City has been conservative in its budgeting practices as well as its fiscal management which has enabled the City to weather the most recent economic downturn.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Officer at the office of the City Clerk at 712-580-7200.

BASIC FINANCIAL STATEMENTS

CITY OF SPENCER
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

		Program Receipts	
	Disbursements	Charges for Service	Operating Grants and Contributions
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 2,549,797	\$ 162,927	\$ 189,528
Public works	1,194,773	68,379	1,065,463
Culture and recreation	1,430,033	174,573	26,175
Community and economic development	1,964,859	123,591	577,270
General government	2,073,102	206,376	81,679
Debt service	3,193,101	24,410	
Capital projects	662,897	94,534	
Total governmental activities	<u>13,068,562</u>	<u>854,790</u>	<u>1,940,115</u>
Business type activities:			
Sanitary sewer (includes \$4,261,829 of capital projects disbursements)	6,017,559	2,250,536	78,750
Solid waste	1,130,695	1,837,917	
Landfill	2,299,491	1,374,998	
Airport (includes \$353,304 of capital projects disbursements)	477,171	135,897	
Golf course	410,726	409,135	
Total business type activities	<u>10,335,642</u>	<u>6,008,483</u>	<u>78,750</u>
TOTAL	<u>\$23,404,204</u>	<u>\$6,863,273</u>	<u>\$2,018,865</u>
General Receipts and Transfers:			
Property and other city taxes levied for:			
General purposes			
Debt service			
Tax increment financing			
Payments in lieu of tax			
Local option sales tax			
Hotel/motel tax			
Use of money and property			
Unrestricted miscellaneous			
Sale of capital assets			
Debt proceeds - net of \$6,260 discount			
Operating transfers			
Total general receipts and transfers			
CHANGE IN CASH BASIS NET ASSETS			
CASH BASIS NET ASSETS - BEGINNING OF YEAR			
CASH BASIS NET ASSETS - END OF YEAR			
CASH BASIS NET ASSETS:			
Nonexpendable:			
Permanent fund principal			
Restricted, expendable for:			
Debt service			
Capital projects			
Urban renewal purposes			
Community and economic development purposes			
Employee benefits			
Police purposes			
Cemetery purposes			
Park purposes			
Closure and/or postclosure care			
Landfill recycling and planning			
Unrestricted			

TOTAL CASH BASIS NET ASSETS

See Accompanying Notes to Financial Statements

Exhibit A

Capital Grants and Contributions	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
\$ 750	\$(2,196,592)		\$ (2,196,592)
	(60,931)		(60,931)
3,675	(1,225,610)		(1,225,610)
90,915	(1,173,083)		(1,173,083)
81,999	(1,703,048)		(1,703,048)
	(3,168,691)		(3,168,691)
<u>182,883</u>	<u>(385,480)</u>		<u>(385,480)</u>
<u>360,222</u>	<u>(9,913,435)</u>		<u>(9,913,435)</u>
		\$ (3,688,273)	(3,688,273)
		707,222	707,222
106,340		(818,153)	(818,153)
		(29,151)	(29,151)
312,123		(1,591)	(1,591)
<u>418,463</u>		<u>(3,829,946)</u>	<u>(3,829,946)</u>
<u>\$ 778,685</u>	<u>(9,913,435)</u>	<u>(3,829,946)</u>	<u>(13,743,381)</u>
	4,319,354		4,319,354
	401,211		401,211
	685,113		685,113
	503,736		503,736
	1,807,696		1,807,696
	199,085		199,085
	216,400	351,058	567,458
	452,448	117,901	570,349
		350,280	350,280
	1,558,740	2,360	1,561,100
	<u>(6,524,329)</u>	<u>6,524,329</u>	
	<u>3,619,454</u>	<u>7,345,928</u>	<u>10,965,382</u>
	(6,293,981)	3,515,982	(2,777,999)
	<u>20,390,434</u>	<u>8,213,064</u>	<u>28,603,498</u>
	<u>\$14,096,453</u>	<u>\$11,729,046</u>	<u>\$25,825,499</u>
	\$ 408,355		\$ 408,355
	635,990	\$ 473,460	1,109,450
	681,551	3,127,355	3,808,906
	85,493		85,493
	626,558		626,558
	549,842		549,842
	6,794		6,794
	18,914		18,914
	13,982		13,982
		1,843,259	1,843,259
		189,943	189,943
	<u>11,068,974</u>	<u>6,095,029</u>	<u>17,164,003</u>
	<u>\$14,096,453</u>	<u>\$11,729,046</u>	<u>\$25,825,499</u>

See Accompanying Notes to Financial Statements

**CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>General</u>	<u>Local Option Sales Tax</u>	<u>Debt Service</u>
RECEIPTS:			
Property tax	\$ 3,268,027		\$ 392,858
Tax increment financing			
Other city taxes	740,007	\$1,807,696	8,353
Licenses and permits	183,527		
Use of money and property	181,119	6,832	20,056
Intergovernmental	298,444		
Charges for service	306,644		
Special assessments	216,147		24,410
Miscellaneous	1,047,796		
TOTAL RECEIPTS	<u>6,241,711</u>	<u>1,814,528</u>	<u>445,677</u>
DISBURSEMENTS:			
Public safety	2,154,527		
Public works	1,132,697		
Culture and recreation	1,313,995		
Community and economic development	989,915	826,053	
General government	808,677		
Debt service			3,193,101
Capital projects			
TOTAL DISBURSEMENTS	<u>6,399,811</u>	<u>826,053</u>	<u>3,193,101</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(158,100)</u>	<u>988,475</u>	<u>(2,747,424)</u>
OTHER FINANCING SOURCES (USES):			
Debt proceeds - net of \$6,260 discount			1,558,740
Operating transfers in	2,211,008		2,126,872
Operating transfers out	(1,995,863)	(1,020,000)	(754,380)
TOTAL OTHER FINANCING SOURCES (USES)	<u>215,145</u>	<u>(1,020,000)</u>	<u>2,931,232</u>
NET CHANGE IN CASH BALANCES	57,045	(31,525)	183,808
CASH BALANCES - BEGINNING OF YEAR	<u>11,011,929</u>	<u>646,274</u>	<u>452,182</u>
CASH BALANCES - END OF YEAR	<u>\$11,068,974</u>	<u>\$ 614,749</u>	<u>\$ 635,990</u>
CASH BASIS FUND BALANCE:			
Nonspendable:			
Permanent fund principal			
Restricted for:			
Debt service			\$ 635,990
Capital projects			
Urban renewal purposes			
Community and economic development purposes		\$ 614,749	
Employee benefits			
Police purposes			
Cemetery purposes			
Park purposes			
Committed for:			
Public safety purposes	\$ 1,114,849		
Public works purposes	5,125,608		
Culture and recreation purposes	770,319		
Community and economic development purposes	1,735,707		
Unassigned	<u>2,322,491</u>		
TOTAL CASH BASIS FUND BALANCES	<u>\$11,068,974</u>	<u>\$ 614,749</u>	<u>\$ 635,990</u>

Exhibit B

Capital Projects	Total Nonmajor Governmental Fund	Total
	\$1,003,508	\$ 4,664,393
	685,113	685,113
	10,633	2,566,689
		183,527
	8,393	216,400
\$ 172,360	1,122,142	1,592,946
	8,075	314,719
		240,557
<u>10,523</u>	<u>217,507</u>	<u>1,275,826</u>
<u>182,883</u>	<u>3,055,371</u>	<u>11,740,170</u>
	395,270	2,549,797
	62,076	1,194,773
	116,038	1,430,033
	148,891	1,964,859
	1,264,425	2,073,102
		3,193,101
<u>662,897</u>		<u>662,897</u>
<u>662,897</u>	<u>1,986,700</u>	<u>13,068,562</u>
<u>(480,014)</u>	<u>1,068,671</u>	<u>(1,328,392)</u>
		1,558,740
1,301,566	590,697	6,230,143
<u>(7,336,243)</u>	<u>(1,647,986)</u>	<u>(12,754,472)</u>
<u>(6,034,677)</u>	<u>(1,057,289)</u>	<u>(4,965,589)</u>
(6,514,691)	11,382	(6,293,981)
<u>7,196,242</u>	<u>1,083,807</u>	<u>20,390,434</u>
<u>\$ 681,551</u>	<u>\$1,095,189</u>	<u>\$14,096,453</u>
	\$ 408,355	\$ 408,355
		635,990
\$ 681,551		681,551
	85,493	85,493
	11,809	626,558
	549,842	549,842
	6,794	6,794
	18,914	18,914
	13,982	13,982
		1,114,849
		5,125,608
		770,319
		1,735,707
		<u>2,322,491</u>
<u>\$ 681,551</u>	<u>\$1,095,189</u>	<u>\$14,096,453</u>

CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Sanitary Sewer</u>	<u>Solid Waste</u>	<u>Landfill</u>	<u>Enterprise Capital Projects</u>
OPERATING RECEIPTS:				
Charges for services	\$2,250,536	\$1,837,917	\$1,374,998	
Miscellaneous	<u>18,621</u>	<u>82,645</u>	<u>6,530</u>	
TOTAL OPERATING RECEIPTS	<u>2,269,157</u>	<u>1,920,562</u>	<u>1,381,528</u>	
OPERATING DISBURSEMENTS:				
Salaries	235,837	630,499	292,697	
Payroll taxes and employee benefits	46,714	146,792	56,096	
Repairs and maintenance	68,303	101,296	56,399	
Utilities	3,226	12,452	5,584	
Contract services	731,899		37,722	
Insurance premiums	24,439	24,927	5,500	
Gas and oil	5,066	114,623	92,472	
Supplies	1,982	19,148	13,862	
Miscellaneous		10,678	25,846	
Landfill charges				
Collection fee	22,200	22,200		
Sales tax paid	43,717	33,540		
Tipping tax			110,862	
TOTAL OPERATING DISBURSEMENTS	<u>1,183,383</u>	<u>1,116,155</u>	<u>697,040</u>	
EXCESS OF OPERATING RECEIPTS OVER DISBURSEMENTS	<u>1,085,774</u>	<u>804,407</u>	<u>684,488</u>	
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	92,941	19,403	59,528	
Farm income	76,000		16,624	
Sale of capital assets			350,280	
Interest subsidy on Build America Bonds...	78,750			
Intergovernmental grants			106,340	\$ 312,123
Capital outlay	(225,058)	(14,540)	(1,602,451)	(4,615,133)
Debt service payments:				
Revenue bonds/notes principal	(58,000)			
Revenue bonds/notes interest	<u>(289,289)</u>			
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(324,656)</u>	<u>4,863</u>	<u>(1,069,679)</u>	<u>(4,303,010)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>761,118</u>	<u>809,270</u>	<u>(385,191)</u>	<u>(4,303,010)</u>
OTHER FINANCING SOURCES (USES):				
Debt proceeds				2,360
Operating transfers in	169,132		548,589	7,418,392
Operating transfers out	<u>(186,876)</u>	<u>(668,860)</u>	<u>(465,287)</u>	<u>(177,334)</u>
TOTAL OTHER FINANCING USES	<u>(17,744)</u>	<u>(668,860)</u>	<u>83,302</u>	<u>7,243,418</u>
NET CHANGE IN CASH BALANCES	743,374	140,410	(301,889)	2,940,408
CASH BALANCES - BEGINNING OF YEAR	<u>2,710,837</u>	<u>1,085,213</u>	<u>4,015,551</u>	
CASH BALANCES - END OF YEAR	<u>\$3,454,211</u>	<u>\$1,225,623</u>	<u>\$3,713,662</u>	<u>\$2,940,408</u>

EXHIBIT C

<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
\$ 545,032	\$ 6,008,483
<u>10,105</u>	<u>117,901</u>
<u>555,137</u>	<u>6,126,384</u>
189,374	1,348,407
32,683	282,285
34,703	260,701
42,426	63,688
35,066	804,687
24,255	79,121
15,735	227,896
86,463	121,455
23,874	60,398
	44,400
15,809	93,066
<u>500,388</u>	<u>110,862</u>
<u>54,749</u>	<u>2,629,418</u>
6,562	178,434
80,000	172,624
	350,280
	78,750
	418,463
(34,205)	(6,491,387)
	(58,000)
<u>52,357</u>	<u>(289,289)</u>
<u>107,106</u>	<u>(5,640,125)</u>
	2,360
	8,136,113
<u>(113,427)</u>	<u>(1,611,784)</u>
<u>(113,427)</u>	<u>6,526,689</u>
(6,321)	3,515,982
<u>401,463</u>	<u>8,213,064</u>
<u>\$ 395,142</u>	<u>\$11,729,046</u>

See Accompanying Notes to Financial Statements

CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS - Continued
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Sanitary Sewer</u>	<u>Solid Waste</u>	<u>Landfill</u>	<u>Enterprise Capital Projects</u>
CASH BASIS FUND BALANCES:				
Restricted, expendable for:				
Debt service	\$ 473,460			
Closure and/or postclosure care		\$ 16,648	\$1,826,611	
Landfill recycling and planning			189,943	
Capital projects				\$3,127,355
Unrestricted	<u>2,980,751</u>	<u>1,208,975</u>	<u>1,697,108</u>	<u>(186,947)</u>
 TOTAL CASH BASIS FUND BALANCES	 <u>\$3,454,211</u>	 <u>\$1,225,623</u>	 <u>\$3,713,662</u>	 <u>\$2,940,408</u>

EXHIBIT C

<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
	\$ 473,460
	1,843,259
	189,943
	3,127,355
<u>\$ 395,142</u>	<u>6,095,029</u>
 <u>\$ 395,142</u>	 <u>\$11,729,046</u>

**CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - FIDUCIARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

ADDITIONS:	
Use of money and property	\$ 10,124
Charges for services	5,413
Miscellaneous	<u>16,156</u>
TOTAL ADDITIONS	<u>31,693</u>
DEDUCTIONS:	
Public safety	3,473
Community and economic development	<u>26,532</u>
TOTAL DEDUCTIONS	<u>30,005</u>
NET CHANGE IN CASH BALANCES	1,688
CASH BALANCES - BEGINNING OF YEAR	<u>643,028</u>
CASH BALANCES - END OF YEAR	<u>\$ 644,716</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Spencer, Iowa is a political subdivision of the State of Iowa located in Clay County. It was first incorporated in 1880 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Spencer provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, public improvements, and general government services.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the Spencer Municipal Hospital (SMH) is a component unit of the City. Financial information for SMH has not been reported in the City's financial statements. Accordingly, these financial statements present the activities of the primary government only and are not a complete presentation in accordance with U.S. generally accepted accounting principles. Spencer Municipal Hospital's financial statement can be obtained at their administrative offices or at City Hall.

The Spencer Municipal Utilities (SMU) provides electric and water utility services to the citizens of Spencer. SMU is not considered a component unit of the City because it does not meet the criteria stated above. Currently, SMU made voluntary payments of \$503,736 in lieu of property tax payments to the City. In addition, SMU paid the City \$575,000 for a grant and loan for a housing development (See Note 3).

Jointly Governed Organization - The City also participates in several jointly governed organizations for which the city is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. The City's net assets are reported in the following categories/components:

Nonexpendable net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets - Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum and to be used for various purposes.

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities other than those used by enterprise activities.

The City reports the following major proprietary funds:

Enterprise:

The Sanitary Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Solid Waste Fund is used to account for the operation and maintenance of the City's solid waste collection activities.

The Landfill Fund is used to account for the operation and maintenance of the City's landfill activities.

The Enterprise Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities used by enterprise activities.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting

The City of Spencer maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purposes unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

2. CASH AND POOLED INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2012 were entirely covered by Federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2012

2. CASH AND POOLED INVESTMENTS - Continued

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash and investments consisted of the following at June 30, 2012:

Cash on hand	\$ 5,200
Demand deposits	10,337,660
Money market account	13,000,000
Escrow account restricted to waste water treatment plant improvements	<u>3,127,355</u>
Total cash and investments	26,470,215
Less Agency Funds	<u>644,716</u>

City's Cash and Investments	<u>\$25,825,499</u>
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Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the City's bonds and notes payable are as follows:

Year Ending June 30,	-----Governmental Activities-----					
	General Obligation Bonds/Notes		Urban Renewal Tax Increment Revenue Bond		Other Long-Term Debt	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$1,079,000	\$ 171,777	\$ 45,000	\$ 18,900	\$ 25,000	
2014	930,000	148,894	50,000	16,200	25,000	
2015	936,000	126,401	50,000	13,200	25,000	
2016	966,000	113,743	55,000	10,200	25,000	
2017	997,000	86,717	55,000	6,900	25,000	
2018-2022	1,391,430	163,062	60,000	3,600	125,000	
2023-2027	328,000	38,518				
2028-2032	<u>30,000</u>	<u>900</u>				
Total	<u>\$6,657,430</u>	<u>\$ 850,012</u>	<u>\$ 315,000</u>	<u>\$ 69,000</u>	<u>\$ 250,000</u>	<u>\$</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2012

3. BONDS AND NOTES PAYABLE - Continued

Year Ending June 30,	Total		Business-Type Activities		Total Long-Term Debt	
	Governmental Activities		Revenue Bonds Notes			
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$1,149,000	\$ 190,677	\$ 332,000	\$ 287,430	\$ 1,481,000	\$ 478,107
2014	1,005,000	165,094	343,000	276,640	1,348,000	441,734
2015	1,011,000	139,601	354,000	265,493	1,365,000	405,094
2016	1,046,000	123,943	365,000	253,987	1,411,000	377,930
2017	1,077,000	93,617	378,000	242,125	1,455,000	335,742
2018-2022	1,576,430	166,662	2,082,000	1,018,225	3,658,430	1,184,887
2023-2027	328,000	38,518	2,444,000	657,117	2,772,000	695,635
2028-2032	30,000	900	2,546,000	243,458	2,576,000	244,358
Total	<u>\$7,222,430</u>	<u>\$ 919,012</u>	<u>\$8,844,000</u>	<u>\$3,244,475</u>	<u>\$16,066,430</u>	<u>\$4,163,487</u>

General Obligation Bonds/Notes

General obligation bonds and notes to be serviced by the Debt Service Fund totaled \$6,657,430 at June 30, 2012. A portion of these bonds and notes are anticipated to be repaid by transfers from other funds. In compliance with statutory requirements, all payments on these bonds and notes are recorded as disbursements from the Debt Service Fund; and any payments from other funds are recorded as transfers into the Debt Service Fund.

Urban Renewal Tax Increment Revenue Bond

The City issued a \$470,000 urban renewal tax increment revenue bond in March 2007 for the purpose of providing an economic development grant in an urban renewal district. The bond is payable solely from the TIF receipts generated by the increase in property values in the urban renewal area and credited to the Special Revenue, Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are expected to produce 100% of the debt service requirements over the life of the bond. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bond is \$384,000, payable through June 2018. For the current year, principal and interest paid on the bond was \$61,300 and total TIF receipts were \$685,113.

Other Long-Term Debt

The other long-term debt represents a loan from Spencer Municipal Utilities with a balance of \$250,000 at June 30, 2012. The loan is interest free and will be paid from the General Fund from loan receivable payments received from Shine Brothers Corporation.

Revenue Notes

The City has pledged future sanitary sewer customer receipts, net of specific operating disbursements, to repay the \$1,520,000 sewer revenue bonds issued in October 2009 and the \$7,500,000 sewer revenue bonds issued in December 2010. Proceeds from the bonds provided and will provide the financing for wastewater treatment plant improvements. The bonds are payable solely from the sanitary sewer customer net receipts and are payable through June 2032. Annual principal and interest payments are expected to require less than 40% of net receipts. Total principal and interest remaining to be paid on the bonds is \$12,088,475. For the current year, principal and interest paid on the bonds was \$347,289 and customer net receipts were \$1,085,774. The bonds bear interest at 3.25% including a .25% loan service fee.

The resolution providing for the issuance of the two sewer revenue bonds include the following provisions:

- (A) The bonds will only be redeemed from the future earnings of the sanitary sewer activity and bond holders hold a lien on future earnings of the funds.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2012

3. BONDS AND NOTES PAYABLE - Continued

(B) Sufficient monthly transfers shall be made into a separate sewer sinking fund for the purpose of making principal and interest payments when due.

(C) User rates shall be established which produce and maintain net receipts at a level not less than 110% of the principal and interest on the bonds falling due in the same year.

During the year ended June 30, 2012, the City was in compliance with the revenue bond resolutions.

The \$7,500,000 sewer revenue bonds issued December 2010 have been designated by the City as Build America Bonds. Under the terms of the Build America Bonds, it is anticipated that 35% of the interest paid on the bonds (net of the loan service fee) will be refunded to the City by the Federal government.

Housing Development Loan and Grant

During the year, Spencer Municipal Utilities (SMU) granted the City \$287,500 and loaned the City \$287,500. The City then granted the Spencer Area Jobs Trust (Trust) \$287,500 and loaned the Trust \$287,500. The Trust then transferred the funds to a developer, under the same terms, to assist the developer in the construction of moderately priced homes. Under the terms of the agreement, the developer is to repay the Trust the loan as the homes are sold. The Trust is required to repay the City as funds are received from the developer and the City is to repay SMU as payments are received from the Trust. No interest will be charged on the loans if payments are made pursuant to the agreement. Under the terms of the agreement, the City has assigned the right to receive the payments from the Trust and authorizes the Trust to make the payments directly to SMU. SMU and the Trust agreed to assume the risk of any loss, therefore the loan to SMU is not included as a liability of the City.

4. AIRPORT LEASE AGREEMENTS

The City has entered into several lease agreements for hanger and facilities space at the Spencer Municipal Airport. A summary of the leases at June 30, 2012 is as follows:

<u>Tenant</u>	<u>Lease Term</u>	<u>Lease Amount</u>
1. Maurer Manufacturing	5-1-2011 to 10-31-2011 Month to month thereafter	\$1,550 per month
2. Spencer Avionics	7-1-2008 to 6-30-2048	\$1,935 per year, until 6-30-2018
3. Leading Edge Aviation, Inc.	1-1-2010 to 6-30-2014 May be terminated with 6 months notice	\$4,600 per month
4. Superior Lubrication Products, Inc.	Indefinite, may be terminated with 60 days notice	\$1,406 per month
5. CAMM Air	3-13-2006 to 6-30-2105	\$1,200 per year, until 6-30-2016

5. RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials, totaling \$4,937 during the year ended June 30, 2012. See item II-D-12 in the Schedule of Findings.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2012

6. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, holiday, and sick leave hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2012 is as follows:

Governmental activities:	
General fund	\$ 496,939
Business type activities:	
Proprietary:	
Enterprise:	
Solid waste	61,456
Landfill	22,246
Golf course	21,285
Total business type activities	<u>104,987</u>
TOTAL	<u>\$ 601,926</u>

7. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of annual covered salaries. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were as follows:

	Year Ended June 30,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
City's contribution	\$237,656	\$201,960	\$192,436
Percentage funded of required contribution	100.0%	100.0%	100.0%

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, IA 50266.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2012

7. PENSION AND RETIREMENT BENEFITS - Continued

Plan members are required to contribute 9.4% of earned compensation and the City's contribution rate, based on actuarially determined normal contribution rate, cannot be less than 17.00% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the year ended June 30, 2012, 2011, and 2010 were as follows:

	Year Ended June 30,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
City's contribution	\$303,650	\$237,073	\$205,649
Percentage funded of required contribution	100.0%	100.0%	100.0%

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 77 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Employee Benefit Systems (EBS). Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are approximately \$582 for single coverage and \$1,381 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$811,831 (for active members only); and plan members eligible for benefits contributed \$214,008 (both active and retired members) to the plan.

9. RISK FINANCING

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$22,640,000 of industrial development revenue bonds in prior years under the provisions of Chapter 419 of the Code of Iowa. The balances outstanding at June 30, 2012 cannot be approximated since the various companies do not provide this information to the City. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2012

11. CONSTRUCTION COMMITMENTS

The City has entered into contracts totaling \$10,149,431 for various construction projects. As of June 30, 2012, disbursements on those contracts totaled \$4,322,713. The remaining \$5,826,718 will be paid as the work on the projects is completed.

12. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General Fund	Local Option Sales Tax	\$ 1,020,000
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	102,400
	Nonmajor Governmental:	
	Special Revenue:	
	Road Use Tax	1,065,463
	Tax Increment Financing	<u>23,145</u>
Total General Fund		<u>2,211,008</u>
Debt Service	General	1,089,667
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	49,917
	Landfill	427,910
	Nonmajor Governmental:	
	Special Revenue:	
	Tax Increment Financing	<u>559,378</u>
Total Debt Service		<u>2,126,872</u>
Capital Projects	General	515,047
	Debt Service	754,380
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	11,655
	Enterprise Capital Projects	<u>20,484</u>
Total Capital Projects		<u>1,301,566</u>
Nonmajor Governmental:		
Special Revenue:		
Federal and State Retirement	General	<u>313,336</u>
Workers' Compensation Insurance	General	<u>75,357</u>
Group Medical/Life Insurance	Proprietary:	
	Enterprise:	
	Sanitary Sewer	22,904
	Solid Waste	115,358
	Landfill	32,464
	Nonmajor Proprietary:	
	Enterprise:	
	Golf Course	<u>31,278</u>
Total Group Medical/Life Insurance		<u>202,004</u>
Total Nonmajor Governmental		<u>590,697</u>
Total Governmental Funds		<u>6,230,143</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2012

12. INTERFUND TRANSFERS - Continued

Transfer to	Transfer from	Amount
Proprietary:		
Enterprise:		
Sanitary Sewer	General	\$ 2,456
	Proprietary:	
	Enterprise:	
	Landfill	4,913
	Solid Waste	4,913
	Enterprise Capital Projects	<u>156,850</u>
Total Sanitary Sewer		<u>169,132</u>
Landfill	Enterprise:	
	Solid Waste	<u>548,589</u>
Enterprise Capital Projects	Capital Projects	7,336,243
	Nonmajor Proprietary:	
	Enterprise:	
	Airport	<u>82,149</u>
Total Enterprise Capital Projects		<u>7,418,392</u>
Total Proprietary Funds		<u>8,136,113</u>
TOTAL OPERATING TRANSFERS		<u>\$14,366,256</u>

Transfers generally move resources from the fund statutorily required to collect the resources to fund the statutorily required to disburse the resources.

13. LANDFILL CLOSURE/POST CLOSURE CARE COSTS

To comply with federal and state regulations, the City is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collection and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the close of monitoring the landfill during the postclosure period, and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2012

13. LANDFILL CLOSURE/POST CLOSURE CARE COSTS

These costs for the City have been estimated to be \$519,675 for closure and \$1,383,750 for postclosure, for a total of \$1,903,425 as of June 30, 2012. In the current year, no disbursements were made for landfill closure costs. Currently the estimated remaining life of the landfill is 17 months with approximately 50% of the landfill's capacity used at June 30, 2012.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. The City has begun to accumulate resources to fund these costs; and at June 30, 2012, assets of \$1,826,611 are restricted for these purposes.

Also, pursuant to Chapter 567-113.14 of the Iowa Administrative Code (IAC), since the estimated closure and post closure care costs are not fully funded, the City is required to demonstrate financial assurance for the unfunded costs. The City has adopted the dedicated fund mechanism. Under this mechanism, the City must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{RPC} \times TR$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

RPC = remaining permitted capacity in tons

TR = total number of tons of solid waste disposed in the prior year

Chapter 567-113.14(8) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the City is not required to establish closure and postclosure accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

As of June 30, 2012, the City had a balance in the closure/postclosure dedicated fund in the amount of \$1,826,611.

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2012, the city entered into construction contracts totaling \$281,573 for various capital projects and sealcoating.

Subsequent events were evaluated by management for disclosure up to the date of the auditors' report, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**CITY OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds	Permanent Funds	Total Governmental Nonmajor Funds
RECEIPTS:			
Property tax	\$1,003,508		\$1,003,508
Tax increment financing	685,113		685,113
Other city taxes	10,633		10,633
Use of money and property	5,720	\$ 2,673	8,393
Intergovernmental	1,122,142		1,122,142
Charges for services		8,075	8,075
Miscellaneous	217,507		217,507
TOTAL RECEIPTS	<u>3,044,623</u>	<u>10,748</u>	<u>3,055,371</u>
DISBURSEMENTS:			
Public safety	395,270		395,270
Public works	62,076		62,076
Culture and recreation	115,813	225	116,038
Community and economic development	147,544	1,347	148,891
General government	1,264,425		1,264,425
TOTAL DISBURSEMENTS	<u>1,985,128</u>	<u>1,572</u>	<u>1,986,700</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>1,059,495</u>	<u>9,176</u>	<u>1,068,671</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	590,697		590,697
Operating transfers out	(1,647,986)		(1,647,986)
TOTAL OTHER FINANCING USES	<u>(1,057,289)</u>		<u>(1,057,289)</u>
NET CHANGE IN CASH BALANCES	2,206	9,176	11,382
CASH BALANCES - BEGINNING OF YEAR	<u>654,463</u>	<u>429,344</u>	<u>1,083,807</u>
CASH BALANCES - END OF YEAR	<u>\$ 656,669</u>	<u>\$ 438,520</u>	<u>\$1,095,189</u>
CASH BASIS FUND BALANCE:			
Nonspendable:			
Permanent fund principal		\$ 408,355	\$ 408,355
Restricted for:			
Urban renewal purposes	\$ 85,493		85,493
Community and economic development purposes	11,200	609	11,809
Employee benefits	549,842		549,842
Police purposes	6,794		6,794
Cemetery purposes		18,914	18,914
Park purposes	3,340	10,642	13,982
TOTAL CASH BASIS FUND BALANCE	<u>\$ 656,669</u>	<u>\$ 438,520</u>	<u>\$1,095,189</u>

CITY OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Road Use Tax</u>	<u>Tax Increment Financing</u>	<u>SSMID</u>	<u>Police Retirement Systems</u>	<u>Civil Service Expenses</u>
RECEIPTS:					
Property tax			\$ 71,292	\$215,342	\$ 5,966
Tax increment financing		\$685,113			
Other city taxes				2,456	68
Use of money and property		1,006		3,433	203
Intergovernmental	\$1,065,463				
Miscellaneous					3,319
TOTAL RECEIPTS	<u>1,065,463</u>	<u>686,119</u>	<u>71,292</u>	<u>221,231</u>	<u>9,556</u>
DISBURSEMENTS:					
Public safety				236,483	10,769
Public works					
Culture and recreation		76,602	70,942		
Community and economic development					
General government					
TOTAL DISBURSEMENTS		<u>76,602</u>	<u>70,942</u>	<u>236,483</u>	<u>10,769</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>1,065,463</u>	<u>609,517</u>	<u>350</u>	<u>(15,252)</u>	<u>(1,213)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in					
Operating transfers out	(1,065,463)	(582,523)			
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,065,463)</u>	<u>(582,523)</u>			
NET CHANGE IN CASH BALANCES		26,994	350	(15,252)	(1,213)
CASH BALANCES - BEGINNING OF YEAR		<u>58,499</u>	<u>10,850</u>	<u>235,251</u>	<u>14,430</u>
CASH BALANCES - END OF YEAR	<u>\$</u>	<u>\$ 85,493</u>	<u>\$ 11,200</u>	<u>\$219,999</u>	<u>\$ 13,217</u>
CASH BASIS FUND BALANCES:					
Restricted for:					
Urban renewal purposes		\$ 85,493			
Economic development purposes			\$ 11,200		
Employee benefits				\$219,999	\$ 13,217
Police purposes					
Park purposes					
TOTAL CASH BASIS FUND BALANCES	<u>\$</u>	<u>\$ 85,493</u>	<u>\$ 11,200</u>	<u>\$219,999</u>	<u>\$ 13,217</u>

Schedule 2

<u>Police Special Proceeds</u>	<u>Fire Pension Accumulation</u>	<u>Federal and State Retirement</u>	<u>Workers' Compensation Insurance</u>	<u>Trees Forever</u>	<u>Unemployment Insurance Claims</u>	<u>Group Medical/Life Insurance</u>	<u>Total</u>
	\$ 56,679		\$ 45,119		\$ 29,924	\$579,186	\$1,003,508
							685,113
	646		515		341	6,607	10,633
\$ 126	822			\$ 130			5,720
		\$ 25,398				31,281	1,122,142
				3,000		211,188	217,507
<u>126</u>	<u>58,147</u>	<u>25,398</u>	<u>45,634</u>	<u>3,130</u>	<u>30,265</u>	<u>828,262</u>	<u>3,044,623</u>
1,855	67,167	78,996					395,270
		62,076					62,076
		99,252		16,561			115,813
							147,544
		38,692	134,677		28,323	1,062,733	1,264,425
<u>1,855</u>	<u>67,167</u>	<u>279,016</u>	<u>134,677</u>	<u>16,561</u>	<u>28,323</u>	<u>1,062,733</u>	<u>1,985,128</u>
<u>(1,729)</u>	<u>(9,020)</u>	<u>(253,618)</u>	<u>(89,043)</u>	<u>(13,431)</u>	<u>1,942</u>	<u>(234,471)</u>	<u>1,059,495</u>
		313,336	75,357			202,004	590,697
							(1,647,986)
		313,336	75,357			202,004	(1,057,289)
(1,729)	(9,020)	59,718	(13,686)	(13,431)	1,942	(32,467)	2,206
<u>8,523</u>	<u>59,011</u>	<u>82,006</u>	<u>49,113</u>	<u>16,771</u>	<u>6,008</u>	<u>114,001</u>	<u>654,463</u>
<u>\$ 6,794</u>	<u>\$ 49,991</u>	<u>\$141,724</u>	<u>\$ 35,427</u>	<u>\$ 3,340</u>	<u>\$ 7,950</u>	<u>\$ 81,534</u>	<u>\$ 656,669</u>
							\$ 85,493
							11,200
\$ 6,794	\$ 49,991	\$141,724	\$ 35,427		\$ 7,950	\$ 81,534	549,842
				\$ 3,340			6,794
							3,340
<u>\$ 6,794</u>	<u>\$ 49,991</u>	<u>\$141,724</u>	<u>\$ 35,427</u>	<u>\$ 3,340</u>	<u>\$ 7,950</u>	<u>\$ 81,534</u>	<u>\$ 656,669</u>

CITY OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Cemetery Perpetual Care Fund	Riverside Cemetery Memorial Trust	Columbarium Vault Fund	Northlawn Perpetual Care Fund
RECEIPTS:				
Use of money and property		\$ 332	\$ 48	\$ 1,006
Charges for services	\$ 6,875		400	800
TOTAL RECEIPTS	<u>6,875</u>	<u>332</u>	<u>448</u>	<u>1,806</u>
DISBURSEMENTS:				
Culture and recreation		225		
Community and economic development				
TOTAL DISBURSEMENTS		<u>225</u>		
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	6,875	107	448	1,806
CASH BALANCES - BEGINNING OF YEAR	<u>258,954</u>	<u>21,357</u>	<u>3,165</u>	<u>63,357</u>
CASH BALANCES - END OF YEAR	<u>\$265,829</u>	<u>\$ 21,464</u>	<u>\$ 3,613</u>	<u>\$ 65,163</u>
CASH BASIS FUND BALANCE:				
Nonspendable:				
Permanent fund principal	\$265,829	\$ 2,550	\$ 3,613	\$ 65,163
Restricted for:				
Cemetery purposes		18,914		
Community development purposes				
Park purposes				
TOTAL CASH BASIS FUND BALANCES	<u>\$265,829</u>	<u>\$ 21,464</u>	<u>\$ 3,613</u>	<u>\$ 65,163</u>

Schedule 3

Griffin Trust Fund	Leach Park Trust Fund	Total
\$ 1,002	\$ 285	\$ 2,673
		8,075
<u>1,002</u>	<u>285</u>	<u>10,748</u>
		225
<u>1,347</u>	<u> </u>	<u>1,347</u>
<u>1,347</u>	<u> </u>	<u>1,572</u>
(345)	285	9,176
<u>63,954</u>	<u>18,557</u>	<u>429,344</u>
<u>\$ 63,609</u>	<u>\$ 18,842</u>	<u>\$438,520</u>
\$ 63,000	\$ 8,200	\$408,355
		18,914
609		609
<u> </u>	<u>10,642</u>	<u>10,642</u>
<u>\$ 63,609</u>	<u>\$ 18,842</u>	<u>\$438,520</u>

**CITY OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Enterprise Funds</u>		<u>Total Nonmajor Proprietary Funds</u>
	<u>Airport</u>	<u>Golf Course</u>	
OPERATING RECEIPTS:			
Charges for service	\$135,897	\$409,135	\$545,032
Miscellaneous	<u>2,208</u>	<u>7,897</u>	<u>10,105</u>
TOTAL OPERATING RECEIPTS	<u>138,105</u>	<u>417,032</u>	<u>555,137</u>
OPERATING DISBURSEMENTS:			
Salaries	13,319	176,055	189,374
Payroll taxes and employee benefits	4,272	28,411	32,683
Repairs and maintenance	18,957	15,746	34,703
Utilities	22,804	19,622	42,426
Contract services	35,066		35,066
Insurance premiums	14,850	9,405	24,255
Gas and oil	43	15,692	15,735
Supplies	4,268	82,195	86,463
Miscellaneous	8,869	15,005	23,874
Sales tax paid		<u>15,809</u>	<u>15,809</u>
TOTAL OPERATING DISBURSEMENTS	<u>122,448</u>	<u>377,940</u>	<u>500,388</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>15,657</u>	<u>39,092</u>	<u>54,749</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	6,226	336	6,562
Farm income	80,000		80,000
Capital outlay	<u>(1,419)</u>	<u>(32,786)</u>	<u>(34,205)</u>
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>84,807</u>	<u>(32,450)</u>	<u>52,357</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>100,464</u>	<u>6,642</u>	<u>107,106</u>
OTHER FINANCING USES:			
Operating transfers out	<u>(82,149)</u>	<u>(31,278)</u>	<u>(113,427)</u>
TOTAL OTHER FINANCING USES	<u>(82,149)</u>	<u>(31,278)</u>	<u>(113,427)</u>
NET CHANGE IN CASH BALANCES	18,315	(24,636)	(6,321)
CASH BALANCES - BEGINNING OF YEAR	<u>358,914</u>	<u>42,549</u>	<u>401,463</u>
CASH BALANCES - END OF YEAR	<u>\$377,229</u>	<u>\$ 17,913</u>	<u>\$395,142</u>
CASH BASIS FUND BALANCES:			
Unrestricted	<u>\$377,229</u>	<u>\$ 17,913</u>	<u>\$395,142</u>

**CITY OF SPENCER
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2012**

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount of Original Issue</u>	<u>Final Due Date</u>
GOVERNMENTAL ACTIVITIES:				
GENERAL OBLIGATION BONDS/NOTES:				
Corporate purpose notes	5-2001		\$1,170,000	
Essential corporate purpose notes	11-2003		1,900,000	
Refunding bonds	10-2004		1,520,000	
Fire station improvement bonds	5-2005		1,485,000	
Corporate purpose bonds	10-2006	3.85 - 4.05%	2,140,000	6-01-2017
Sewer improvement bond	1-2007	4.41%	655,000	6-01-2026
Street improvement bonds	6-2007	3.90 - 4.15%	515,000	6-01-2017
Landfill facility improvement bonds	12-2008	3.00 - 4.00%	1,350,000	6-01-2018
Green Industrial Center spec building loan	7-2009	0.00 - 3.00% ⁽¹⁾	383,430	7-01-2019
Landfill facility refunding bonds	4-2010	2.00 - 3.00%	1,455,000	6-01-2019
Landfill closure bonds	2-2009	3.00%	426,645	6-01-2028
Street improvement bonds	12-2010	1.40 - 2.80%	575,000	6-01-2018
West beltway, fire station refunding bonds	4-2012	.50 - 1.50%	1,565,000	6-01-2018
TOTAL GENERAL OBLIGATION BONDS/NOTES				
OTHER LONG-TERM DEBT:				
Taxable urban renewal tax increment revenue bond	3-2007	6.00%	470,000	6-01-2018
Spencer Municipal Utilities - Shine Brothers loan	11-2006	0.00%	375,000	12-05-2021
TOTAL OTHER LONG-TERM DEBT				
TOTAL GOVERNMENTAL ACTIVITIES				
BUSINESS TYPE ACTIVITIES:				
REVENUE BONDS/NOTES:				
Sewer revenue bonds	10-2009	3.25% ⁽²⁾	1,520,000	6-01-2029
Sewer revenue bonds (Build America Bonds)	12-2010	3.25% ^{(2) (3)}	7,500,000	6-01-2032
TOTAL BUSINESS TYPE ACTIVITIES				

⁽¹⁾ Interest begins to accrue at 3.00% on 7-1-2014.

⁽²⁾ Interest rate includes .25% service fee.

⁽³⁾ It is anticipated that 35% of the interest (excluding the .25% service fee) will be refunded per the terms of Build America Bonds.

Schedule 5

<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Repayments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 140,000		\$ 140,000		\$ 6,720	
1,060,000		1,060,000		7,594	
35,000		35,000		1,225	
880,000		880,000		34,445	
1,415,000		215,000	\$1,200,000	55,620	
565,000		25,000	540,000	24,917	
215,000		90,000	125,000	8,470	
1,085,000		135,000	950,000	37,782	
383,430			383,430		
1,205,000		195,000	1,010,000	27,887	
408,000		19,000	389,000	12,240	
575,000		80,000	495,000	11,175	
	<u>\$1,565,000</u>		<u>1,565,000</u>		
<u>7,966,430</u>	<u>1,565,000</u>	<u>2,874,000</u>	<u>6,657,430</u>	<u>228,075</u>	
355,000		40,000	315,000	21,300	
275,000		25,000	250,000		
<u>630,000</u>		<u>65,000</u>	<u>565,000</u>	<u>21,300</u>	
<u>\$ 8,596,430</u>	<u>\$1,565,000</u>	<u>\$2,939,000</u>	<u>\$7,222,430</u>	<u>\$249,375</u>	
\$ 1,399,640	\$ 2,360	\$ 58,000	\$1,344,000	\$ 45,539	
<u>7,500,000</u>			<u>7,500,000</u>	<u>243,750</u>	
<u>\$ 8,899,640</u>	<u>\$ 2,360</u>	<u>\$ 58,000</u>	<u>\$8,844,000</u>	<u>\$289,289</u>	

OTHER INFORMATION

CITY OF SPENCER
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property taxes	\$ 4,664,393		\$ 4,664,393
Tax increment financing revenues	685,113		685,113
Other city taxes	2,566,689		2,566,689
Licenses and permits	183,527		183,527
Use of money and property	216,400	\$ 351,058	567,458
Intergovernmental	1,592,946	497,213	2,090,159
Charges for services	314,719	6,008,483	6,323,202
Special assessments	240,557		240,557
Miscellaneous	<u>1,275,826</u>	<u>117,901</u>	<u>1,393,727</u>
TOTAL RECEIPTS	<u>11,740,170</u>	<u>6,974,655</u>	<u>18,714,825</u>
DISBURSEMENTS:			
Public safety	2,549,797		2,549,797
Public works	1,194,773		1,194,773
Culture and recreation	1,430,033		1,430,033
Community and economic development	1,964,859		1,964,859
General government	2,073,102		2,073,102
Debt service	3,193,101		3,193,101
Capital projects	662,897		662,897
Business-type activities		<u>10,335,642</u>	<u>10,335,642</u>
TOTAL DISBURSEMENTS	<u>13,068,562</u>	<u>10,335,642</u>	<u>23,404,204</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(1,328,392)</u>	<u>(3,360,987)</u>	<u>(4,689,379)</u>
OTHER FINANCING SOURCES (USES):			
Sale of capital assets		350,280	350,280
Debt proceeds - net of \$6,260 discount fee	1,558,740	2,360	1,561,100
Operating transfer in	6,230,143	8,136,113	14,366,256
Operating transfer out	<u>(12,754,472)</u>	<u>(1,611,784)</u>	<u>(14,366,256)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,965,589)</u>	<u>6,876,969</u>	<u>1,911,380</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	(6,293,981)	3,515,982	(2,777,999)
BALANCE - BEGINNING OF YEAR	<u>20,390,434</u>	<u>8,213,064</u>	<u>28,603,498</u>
BALANCE - END OF YEAR	<u>\$14,096,453</u>	<u>\$11,729,046</u>	<u>\$25,825,499</u>

Schedule 6

Budget		Final to
<u>Original</u>	<u>Final</u>	Actual Variance
\$ 4,670,639	\$ 4,670,639	\$ (6,246)
682,796	682,796	2,317
1,940,173	1,940,173	626,516
71,800	71,800	111,727
233,250	233,250	334,208
6,803,150	7,896,250	(5,806,091)
5,667,600	5,667,600	655,602
147,632	147,632	92,925
<u>1,696,931</u>	<u>2,243,173</u>	<u>(849,446)</u>
<u>21,913,971</u>	<u>23,553,313</u>	<u>(4,838,488)</u>
2,704,452	2,763,452	213,655
1,454,631	1,544,631	349,858
1,493,168	1,540,668	110,635
1,163,444	2,539,444	574,585
2,241,920	2,311,920	238,818
1,526,206	4,151,206	958,105
15,453,658	7,307,000	6,644,103
<u>4,605,492</u>	<u>14,426,492</u>	<u>4,090,850</u>
<u>30,642,971</u>	<u>36,584,813</u>	<u>13,180,609</u>
<u>(8,729,000)</u>	<u>(13,031,500)</u>	<u>8,342,121</u>
8,650,000	10,523,000	350,280
6,366,548	7,426,548	(8,961,900)
<u>(6,366,548)</u>	<u>(7,426,548)</u>	<u>6,939,708</u>
<u>8,650,000</u>	<u>10,523,000</u>	<u>(8,611,620)</u>
(79,000)	(2,508,500)	(269,499)
<u>20,331,509</u>	<u>20,331,509</u>	<u>8,271,989</u>
<u>\$20,252,509</u>	<u>\$17,823,009</u>	<u>\$ 8,002,490</u>

**CITY OF SPENCER
NOTES TO SCHEDULE 6 - BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2012**

The budgetary comparison is presented in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Fund, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$5,941,842. These budget amendments are reflected in the final budgeted amounts.

**CITY OF SPENCER
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
GOVERNMENTAL FUNDS
LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Community and Economic Development</u>	<u>General Government</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
2002-03	\$1,820,298	\$1,286,453	\$1,501,855	\$ 907,477	\$1,055,886	\$ 817,401	\$2,846,127	\$10,235,497
2003-04	2,026,905	1,291,125	1,554,507	1,466,591	1,343,886	852,275	1,934,353	10,469,642
2004-05	1,978,717	1,416,025	1,617,789	1,218,917	1,124,274	3,871,429	4,336,342	15,563,493
2005-06	2,117,469	1,433,825	1,692,228	924,952	1,303,707	1,406,556	5,047,006	13,925,743
2006-07	2,167,277	1,474,470	1,849,139	1,496,613	1,354,535	4,904,583	1,806,523	15,053,140
2007-08	2,175,503	1,523,922	1,656,305	1,578,325	1,409,325	1,413,780	1,630,181	11,387,341
2008-09	2,461,524	1,459,165	1,369,796	2,776,842	1,465,448	1,485,111	1,820,672	12,838,558
2009-10	2,285,294	1,420,977	1,425,791	2,289,495	1,478,420	1,064,260	5,828,337	15,792,574
2010-11	2,343,685	1,249,718	1,415,736	2,384,116	2,065,131	2,106,313	3,299,247	14,863,946
2011-12	2,549,797	1,194,773	1,430,033	1,964,859	2,073,102	3,193,101	662,897	13,068,562

NOTE: For the fiscal years 2002-2003 through 2006-2007, amounts are reported on the modified-accrual basis of accounting. For the fiscal years after 2006-2007, amounts are reported on the cash basis of accounting.

**CITY OF SPENCER
GENERAL GOVERNMENTAL REVENUES BY SOURCE
GOVERNMENTAL FUNDS
LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Inter- Governmental</u>	<u>Charges for Services</u>	<u>Miscellaneous</u>	<u>Total</u>
2002-03	\$5,377,766	\$2,186,001	\$660,553	\$1,222,856	\$ 9,447,176
2003-04	5,773,995	2,149,987	689,447	1,698,517	10,311,946
2004-05	5,945,570	1,995,646	709,362	2,122,712	10,773,290
2005-06	5,799,104	2,452,620	820,133	2,121,214	11,193,071
2006-07	7,200,906	1,835,359	853,406	1,290,729	11,180,400
2007-08	7,333,936	1,646,776	882,840	1,455,837	11,319,389
2008-09	7,590,648	1,457,983	311,873	2,628,386	11,988,890
2009-10	7,653,023	2,304,375	304,060	2,795,395	13,056,853
2010-11	7,894,821	2,157,060	277,177	2,780,835	13,109,893
2011-12	8,156,752	1,592,946	314,719	1,675,753	11,740,170

NOTE: For the fiscal years 2002-2003 through 2006-2007, amounts are reported on the modified-accrual basis of accounting. For the fiscal years after 2006-2007, amounts are reported on the cash basis of accounting.

**CITY OF SPENCER
TAXABLE AND ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN YEARS**

<u>Payable Year</u>	<u>Real Property</u>		<u>Utilities</u>		<u>Total</u>	
	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>
2002-03	\$309,383,244	\$441,480,443	\$2,483,465	\$2,585,629	\$311,866,709	\$444,066,072
2003-04	316,918,800	477,395,455	2,426,076	2,483,465	319,344,876	479,878,920
2004-05	317,886,216	491,790,397	2,590,188	2,426,076	320,476,404	494,216,473
2005-06	320,172,089	461,972,302	2,544,562	2,565,631	322,716,651	464,537,933
2006-07	333,287,512	557,257,067	2,843,717	2,619,711	336,131,229	559,876,778
2007-08	349,624,211	561,803,499	2,260,676	2,930,865	351,884,887	564,734,364
2008-09	354,156,680	598,779,919	2,434,206	2,831,174	356,590,886	601,611,093
2009-10	369,955,950	614,883,975	2,423,771	4,181,187	372,379,721	619,065,162
2010-11	376,448,740	618,121,056	2,120,021	4,979,517	378,568,761	623,100,573
2011-12	387,681,728	624,496,525	4,742,729	9,461,423	392,424,457	633,957,948

<u>Fiscal Year</u>	<u>Ratio of Total Taxable Value to Total Assessed Value</u>
2002-03	70.2
2003-04	66.5
2004-05	64.8
2005-06	69.5
2006-07	60.0
2007-08	62.3
2008-09	59.3
2009-10	60.2
2010-11	60.8
2011-12	61.9

NOTE: Taxable Value does not include the Tax Increment Levy.

**CITY OF SPENCER
PROPERTY TAX RATES AND DEBT
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS
PER \$1,000 ASSESSED VALUATION**

<u>Fiscal Year</u>	<u>City</u>	<u>School District</u>	<u>County Consolidated</u>	<u>Vocational School</u>	<u>Total</u>
2002-03	11.03983	12.42898	4.77727	0.77150	29.01758
2003-04	11.02005	12.43699	5.32886	0.73807	29.52397
2004-05	11.09976	13.40352	5.73764	0.71942	30.96034
2005-06	11.37501	14.30408	6.32206	0.77966	32.78081
2006-07	11.65737	13.96943	6.22273	0.83196	32.68149
2007-08	11.65137	13.96983	6.12751	0.73979	32.4885
2008-09	11.72583	14.59188	6.46980	0.75850	33.54601
2009-10	11.71943	14.59187	6.42130	0.77796	33.51056
2010-11	11.71683	14.59046	6.38216	0.78134	33.47079
2011-12	11.84324	14.59709	6.36360	0.76886	33.57279

<u>Name of Governmental Unit</u>	<u>Net Bonded Debt Outstanding</u>	<u>Percentage Applicable To This Governmental Unit</u>
City of Spencer, Iowa	\$6,336,440	100%
Clay County	Not available	N/A
Spencer Community School District	Not available	N/A

**CITY OF SPENCER
PRINCIPAL TAXPAYERS
JUNE 30, 2012**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Menard, Inc.	Retail	\$10,098,820	1.59%
Sequoia Investments I, LLC	Mall	6,773,280	1.07
Wal-Mart	Retail	6,666,570	1.05
Shine Brothers Corporation	Manufacturing	5,243,430	.83
Hy-Vee, Inc.	Retail	4,600,310	.73
Lake Mills Investors, Ltd.	Doctors' office	3,551,470	.56
St. Luke Lutheran Home, Inc.	Assisted living	3,478,914	.55
Simonsen Iron Works, Inc.	Manufacturing	3,140,910	.50
S & M Real Estate Company, LLC	Retail	3,000,100	.47
Jacobsen Homes Corporation	Real Estate	2,996,055	.47

Source:
Clay County Auditor

CITY OF SPENCER
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2012

Total Assessed Value (including Tax Increment Levy)		<u>\$654,511,938</u>
Debt Limit (5% of total assessed value)		\$ 32,725,597
Amount of debt applicable to debt limit	\$ 6,972,430	
Less assets in Debt Service Fund available for payment of principal	<u>635,990</u>	
Total debt applicable to debt limit		<u>6,336,440</u>
LEGAL DEBT MARGIN		<u>\$ 26,389,157</u>

**CITY OF SPENCER
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2002-03	11,317	\$444,066,072	\$9,385,000	\$294,397	\$9,090,603	2.05	803
2003-04	11,317	479,878,920	8,330,000	614,421	7,715,579	1.61	682
2004-05	11,317	494,216,473	9,210,000	587,063	8,622,937	1.74	762
2005-06	11,317	464,537,933	8,220,000	843,866	7,376,134	1.59	652
2006-07	11,317	559,876,778	8,535,000	598,201	7,936,799	1.42	701
2007-08	11,317	564,734,364	7,990,000	710,378	7,279,622	1.29	643
2008-09	11,317	601,611,093	8,945,000	348,205	8,596,795	1.43	760
2009-10	11,317	619,065,162	9,416,245	322,569	9,093,676	1.47	804
2010-11	11,233	623,100,573	8,321,430	452,182	7,869,248	1.26	701
2011-12	11,233	633,957,948	6,972,430	635,990	6,336,440	1.00	564

CITY OF SPENCER
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN YEARS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Services</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to General Expenditures</u>
2002-03	\$ 410,000	\$292,796	\$ 702,796	\$ 7,386,427 ^{1,3}	9.5
2003-04	435,000	321,727	756,727	8,532,484 ^{2,3}	8.9
2004-05	410,000	289,177	699,177	11,224,858 ^{2,3}	6.2
2005-06	900,000	341,029	1,241,029	8,876,297 ^{2,3}	14.0
2006-07	895,000	390,316	1,285,316	13,243,664 ^{2,3}	9.7
2007-08	1,015,000	420,888	1,435,888	9,753,940 ^{2,4}	14.7
2008-09	1,145,000	347,330	1,492,330	11,015,597 ^{2,4}	13.5
2009-10	2,290,000	338,067	2,628,067	9,961,936 ^{2,4}	26.4
2010-11	1,763,645	324,280	2,087,925	11,562,830 ^{2,4}	18.1
2011-12	2,874,000	228,075	3,102,075	12,404,093 ^{2,4}	25.0

¹ Includes General, Special Revenue, Debt Service, Capital Projects, and Expendable Trust Funds

² Includes General, Special Revenue, and Debt Service Funds

³ Modified-accrual basis of accounting

⁴ Cash basis of accounting

**CITY OF SPENCER
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN YEARS**

Calendar Year	Commercial Construction ¹		Residential Construction ¹		As of June 30.	Bank Deposits ²	Assessed Property Value ³
	Units	Value	Units	Value			
2002	29	\$27,572,359	193	\$5,330,054	2003	\$344,265,000	\$444,066,072
2003	38	4,786,168	168	6,172,450	2004	352,891,000	479,878,920
2004	11	1,268,456	39	5,628,400	2005	390,521,000	494,216,473
2005	11	5,042,500	22	4,063,350	2006	419,848,000	464,537,933
2006	11	5,240,000	24	3,659,000	2007	446,865,000	559,876,778
2007	10	3,795,000	14	2,596,000	2008	480,373,000	564,734,364
2008	5	231,000	13	2,842,000	2009	475,472,000	601,611,093
2009	4	94,200	13	2,645,000	2010	501,443,000	619,065,162
2010	11	3,173,000	9	2,096,000	2011	524,129,000	623,100,573
2011	5	462,000	4	815,000	2012	553,995,000	633,957,948

Source:

¹ City Building Inspector

² FDIC

³ Clay County Auditor

**CITY OF SPENCER
MISCELLANEOUS STATISTICS
JUNE 30, 2012**

Date of Incorporation	1880
Form of Government	Mayor/Council
Total Number of Employees (all departments)	135
Area in Square Miles	10.98
City of Spencer, Iowa, Facilities and Services:	
Miles of streets	98.7
Culture and Recreation:	
City parks	14
Golf courses	2
Swimming pools	1
Fire Protection:	
Number of stations	1
Number of fire personnel and officers	31
Police Protection:	
Number of stations	1
Number of police personnel and officers	28
Number of law violations:	
Physical arrests and citations	2,623
Sewerage System:	
Number of treatment plants	1
Daily average treatment in gallons	2,000,000
Maximum daily capacity of treatment plant in gallons	10,000,000
Water System:	
Elevated storage capacity	1,500,000
Capacity of water plant	3,000,000
Daily average consumption in gallons	1,700,000
Hospitals:	
Number of hospitals	1
Number of patient beds	99
Number of medical personnel in County (MD, DO, DC, DDS)	60

**CITY OF SPENCER
DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Population</u>	<u>School Enrollment</u>	<u>Unemployment Rate %</u>
2002-03	11,317	2,097	3.6
2003-04	11,317	2,120	4.1
2004-05	11,317	2,057	4.2
2005-06	11,317	2,058	3.3
2006-07	11,317	2,058	3.1
2007-08	11,317	2,097	3.1
2008-09	11,317	1,987	6.2
2009-10	11,317	1,905	6.5
2010-11	11,233	1,946	5.4
2011-12	11,233	1,946	5.2

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the City Council
City of Spencer
Spencer, IA 51301

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spencer, Iowa, (City) as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents and have issued our report thereon dated January 14, 2013. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses; and therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Spencer, and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Spencer during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Wintner, Stare & Co, LLC

January 14, 2013

**CITY OF SPENCER
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

Part I: Findings Related to the Financial Statements

Internal Control over Financial Reporting:

No findings were noted.

Instances of Non-Compliance:

No findings were noted.

CITY OF SPENCER
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting

- II-A-12 Certified Budget - Although the budget was amended on March 19, 2012, the amendment occurred after disbursements exceeded the original budget for the business type activities function.

Recommendation - Although the budget was amended in accordance with Chapter 384.18 of the Code of Iowa, care should have been taken to ensure that the amendment is done prior to disbursements exceeding the original budget.

Response - The City will make an effort to amend the budget before disbursements are exceeded, if applicable in the future.

Conclusion - Response accepted.

- II-B-12 Questionable Disbursements - No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

- II-C-12 Travel Expense - No expenditures of the City for travel expenses of spouses of City officials or employees were noted.

- II-D-12 Business Transactions - The City purchased supplies totaling \$4,937 from Audio Video Connection, a business owned by Council Member Randy Swanson. The transactions do not appear to represent a conflict of interest since the City obtained two separate quotes for the audio equipment and approved the lowest quote.

- II-E-12 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- II-F-12 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

- II-G-12 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

- II-H-12 Revenue Notes - No instances of noncompliance with the revenue bond and note resolutions were noted.

- II-I-12 Financial Assurance - As of June 30, 2012, the City has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567.113.14(6) of the Iowa Administrative Code.